

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Villaraigosa Analyst: Jeani Brent Bill Number: AB 1080

Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 07/01/1999

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Community Development Corporation Contributions Credit

X DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previously proposed by the department for the bill as amended May 28, 1999.

 AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

 AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended .

 FURTHER AMENDMENTS NECESSARY.

 DEPARTMENT POSITION CHANGED TO .

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 25, 1999 AND AMENDED April 28, 1999, AND May 28, 1999, STILL APPLY.

 OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would allow a credit for 50% of the amount contributed to an eligible community development corporation.

The Revenue and Taxation Code provisions relating to the insurance gross premium tax credit is not administered by the department and, therefore, is not discussed in this analysis.

SUMMARY OF AMENDMENT

The July 1, 1999, amendments made the following changes:

1. Ensure that, in the case of a contribution for facility support, the credit certification for the contributing taxpayer would be awarded after receipt of evidence that all conditions for obtaining the credit have been satisfied.
2. Clarify that credit certificates awarded to eligible corporations in one year would be provided to taxpayers in that year.
3. Clarify the definition of "low-income geographic area" by reference to the Department of Housing and Urban Development instead of the U.S. Census Bureau.
4. Clarify that the \$30 million annual aggregate allocation limitation applies to all three credits (PITL, B&CTL, and gross premiums tax) collectively.

Board Position:

<u> </u> S	<u> </u> NA	<u> </u> NP
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Department/Legislative Director Date

Johnnie Lou Rosas 7/21/1999

5. Clarify that subdivision (k) would ensure that taxpayers who wish to contribute more than the \$500,000 annual maximum would not be precluded from so doing by the fact that no credit would be allowed for any excess credit.
6. Require the taxpayer to retain the credit certificate to demonstrate the taxpayer's eligibility for the credit.
7. Require the Tax Credit Allocation Committee to provide the department with an annual list of taxpayers to whom the credit was allocated.
8. Clarify that the phrase "controlled by" is intended to mean a standard tax law definition of control (more than 50% ownership).

The July 1, 1999, amendments would resolve the implementation considerations addressed in the department's analysis of this bill as amended May 28, 1999. Except for the implementation considerations, which are resolved, and the additional technical considerations below, the department's analyses of the bill as introduced February 25, 1999, and as amended April 28, 1999, and May 28, 1999, still apply.

TECHNICAL CONSIDERATIONS

The July 1, 1999, amendments made differing changes to subdivision (a) of the PITL section and the B&CTL sections. Amendment 1 would change the B&CTL to be consistent with the PITL.

The July 1, 1999, amendments also made a technical change to the PITL, but inadvertently did not make the same change to the B&CTL. Amendment 2 would make the change in the B&CTL provisions.

BOARD POSITION

Neutral.

At its July 6, 1999, meeting, the Franchise Tax Board voted 2-0 to take a neutral position on this bill, as amended May 28, 1999.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 601
As Amended July 1, 1999

AMENDMENT 1

On page 11, line 14, strikeout "allocated a tax credit" and insert:
 , certified

AMENDMENT 2

On page 14, lines 38 and 39, strikeout "paid or incurred" and insert:
made